GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

STARRED QUESTION NO:296
ANSWERED ON:23.03.2005
INCREASE IN FOREIGN DIRECT INVESTMENT
Pathak Shri Brajesh

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government has received memoranda/requests from various organisations and political parties opposing the increase in the limit of foreign direct investment in telecom sector;

(b) if so, the details thereof; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI DAYANIDHI MARAN)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 296 FOR 23RD MARCH, 2005 REGARDING INCREASE IN FOREIGN DIRECT INVESTMENT.

(a) Yes, Sir.

(b) Some of the Members of Parliament, political parties and other organizations had raised certain concerns against the proposal of the Government for increasing Foreign Direct Investment (FDI) from 49 percent to 74 percent in telecom sector. Main issues raised by the above are placed at Annexure.

(c) The National common Minimum Programme (NCMP) declares that Foreign Direct Investment (FDI) will continue to be encouraged and actively sought, particularly in areas of infrastructure, high technology and exports. Telecommunications sector meets this description and accordingly a decision has been taken to enhance the FDI ceiling from 49 percent to 74 percent after adequately addressing the concerns.

ANNEXURE

SALIENT CONCERNS RAISED AGAINST THE PROPOSAL FOR INCREASE IN FDI CEILING FROM 49 PERCENT TO 74 PERCENT IN TELECOM SECTOR

(a) As almost all Government communications take place through the public telecom network, opening a part of the public telecom network to foreign ownership will carry unacceptable risk.

(b) Many countries including USA do not allow majority share holding in foreign companies. In USA, the limit of direct ownership for all radio licenses (including cellular) is still caped at 20%.

(c) Security agencies had opposed the proposal for increase in Foreign Direct Investment (FDI) ceiling in the past. These objections are in tune with the security concerns that most countries have and that is why almost all countries in region with security concerns have similar FDI caps.

(d) FDI and telecom growth are not inter-related and reserve and surplus available with leading Indian operators including Public Sector Undertakings (PSUs) could be utilized for expanding the network.

(e) The companies like Hutch and SingTel in India have invested directly and indirectly more than 49% in companies providing cellular services and thereby acquiring backdoor control. The Government cannot legitimise subversion of policies by the foreign companies, and reward them by lifting all such restrictions.

(f) China has agreed to raise FDI cap upto 49% by 2007. They are following Public Issue route in the stock markets abroad, thus ensuring that the foreign equity is thinly distributed to offer any serious problem of control.